# NEW HAMPSHIRE PUBLIC RADIO, INC.

FINANCIAL REPORT

JUNE 30, 2014

CONTENTS

## *INDEPENDENT AUDITOR'S REPORT*

To the Board of Trustees
New Hampshire Public Radio, Inc.
Concord, New Hampshire 03301-5003

We have audited the accompanying financial statements of New Hampshire Public Radio, Inc., which comprise the statements of financial position as of June 30, 2014, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

70 Commercial Street, Suite 401
Concord, NH 03301
t. 603-224-5357
f. 603-224-3792

info@nathanwechsler.com
www.nathanwechsler.com

44 School Street, PO Box 249
Lebanon, NH 03766
t. 603-448-2650
f. 603-448-2476

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Hampshire Public Radio, Inc., as of June 30, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Report on Summarized Comparative Information*

We have previously audited New Hampshire Public Radio, Inc.'s 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Nathan Wechsler & Company

Concord, New Hampshire
October 3, 2014

NEW HAMPSHIRE PUBLIC RADIO, INC.

## STATEMENTS OF FINANCIAL POSITION
**June 30, 2014 and 2013**

| | 2014 | 2013 |
|---|---|---|
| *ASSETS* | | |
| **CURRENT ASSETS** | | |
| Cash | $ 1,121,697 | $ 911,472 |
| Contributions and grants receivable | 196,873 | 208,009 |
| Bequest receivable | 12,500 | 12,500 |
| Accounts receivable, less allowance for doubtful accounts of $11,155 for 2014 and $16,500 for 2013 | 304,475 | 272,496 |
| Prepaid expenses | 96,883 | 102,370 |
| *Total current assets* | 1,732,428 | 1,506,847 |
| **OTHER ASSETS** | | |
| Investments | 1,039,280 | 936,500 |
| Contributions and grants receivable, less current portion | 125,000 | - |
| Deferred compensation investment | 78,141 | 68,545 |
| Bond issuance costs, net of accumulated amortization $69,543 for 2014 and $62,092 for 2013 | 178,825 | 186,276 |
| Station and software licenses, net of accumulated amortization $287,218 for 2014 and $273,333 for 2013 | 218,303 | 224,488 |
| | 1,639,549 | 1,415,809 |
| **PROPERTY AND EQUIPMENT, net** | 6,125,540 | 6,436,503 |
| *Total assets* | $ 9,497,517 | $ 9,359,159 |
| *LIABILITIES AND NET ASSETS* | | |
| **CURRENT LIABILITIES** | | |
| Current portion of bond payable | $ 40,000 | $ 35,000 |
| Accounts payable and accrued expenses | 158,074 | 100,050 |
| Accrued salaries and benefits | 260,043 | 164,944 |
| Deferred revenue | 73,035 | 75,098 |
| *Total current liabilities* | 531,152 | 375,092 |
| **LONG-TERM LIABILITIES** | | |
| Deferred compensation liability | 95,640 | 68,545 |
| Bond payable, net of discount, less current maturities | 1,088,836 | 1,128,368 |
| *Total long-term liabilities* | 1,184,476 | 1,196,913 |
| *Total liabilities* | 1,715,628 | 1,572,005 |
| **COMMITMENTS (See Notes)** | | |
| **NET ASSETS** | | |
| Undesignated | 5,869,727 | 6,048,193 |
| Board designated | 225,311 | 126,548 |
| Total unrestricted | 6,095,038 | 6,174,741 |
| Temporarily restricted | 1,474,832 | 1,400,394 |
| Permanently restricted | 212,019 | 212,019 |
| *Total net assets* | 7,781,889 | 7,787,154 |
| *Total liabilities and net assets* | $ 9,497,517 | $ 9,359,159 |

NEW HAMPSHIRE PUBLIC RADIO, INC.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
**Year Ended June 30, 2014 (with comparative totals for 2013)**

| | Unrestricted | | | | | | |
|---|---|---|---|---|---|---|---|
| | Undesignated | Board Designated | Total Unrestricted | Temporarily Restricted | Permanently Restricted | 2014 Total | 2013 Total |
| Revenue and support: | | | | | | | |
| Public support (see Note 14) | $ 2,656,502 | $ - | $ 2,656,502 | $ - | $ - | $ 2,656,502 | $ 2,383,877 |
| Business support | 2,285,845 | - | 2,285,845 | - | - | 2,285,845 | 2,224,928 |
| Business support-trade | 124,411 | - | 124,411 | - | - | 124,411 | 114,608 |
| Corporation for Public Broadcasting funding | 376,940 | - | 376,940 | - | - | 376,940 | 296,417 |
| Grants, contributions and contract revenue | 109,030 | - | 109,030 | 428,500 | - | 537,530 | 1,247,035 |
| Vehicle donations and fundraising events | 189,893 | - | 189,893 | - | - | 189,893 | 147,371 |
| Investment income | 1,390 | 7,021 | 8,411 | 95,880 | - | 104,291 | 8,731 |
| Other income | 12,400 | - | 12,400 | - | - | 12,400 | 4,980 |
| In-kind donations | 36,949 | - | 36,949 | - | - | 36,949 | 28,302 |
| *Total revenue and support* | 5,793,360 | 7,021 | 5,800,381 | 524,380 | - | 6,324,761 | 6,456,249 |
| Net assets released for satisfaction of purpose restrictions | 389,586 | - | 389,586 | (389,586) | - | - | - |
| Net assets released from time restrictions | 3,116 | - | 3,116 | (3,116) | - | - | - |
| *Total net assets released from restrictions* | 392,702 | - | 392,702 | (392,702) | - | - | - |
| Expenses: | | | | | | | |
| Program services | 3,823,579 | - | 3,823,579 | - | - | 3,823,579 | 3,586,720 |
| Management and general | 722,050 | 39,758 | 761,808 | - | - | 761,808 | 651,221 |
| Fundraising | 1,150,732 | - | 1,150,732 | - | - | 1,150,732 | 1,096,488 |
| | 5,696,361 | 39,758 | 5,736,119 | - | - | 5,736,119 | 5,334,429 |
| Depreciation and amortization | 661,032 | - | 661,032 | - | - | 661,032 | 649,169 |
| *Total expenses* | 6,357,393 | 39,758 | 6,397,151 | - | - | 6,397,151 | 5,983,598 |
| *Increase (decrease) in net assets before nonoperating activities* | (171,331) | (32,737) | (204,068) | 131,678 | - | (72,390) | 472,651 |
| Board designation (see Note 12) | (121,500) | 121,500 | - | - | - | - | - |
| Nonoperating revenues and support: | | | | | | | |
| Capital projects revenue | 57,125 | - | 57,125 | - | - | 57,125 | - |
| Bequests | - | 10,000 | 10,000 | - | - | 10,000 | - |
| Endowment fund contributions | - | - | - | - | - | - | 44,000 |
| *Total nonoperating revenue and support* | 57,125 | 10,000 | 67,125 | - | - | 67,125 | 44,000 |
| Net assets released from time restriction, nonoperating (see Note 7) | 57,240 | - | 57,240 | (57,240) | - | - | - |
| *Increase (decrease) in total net assets* | (178,466) | 98,763 | (79,703) | 74,438 | - | (5,265) | 516,651 |
| Net assets, beginning of year | 6,048,193 | 126,548 | 6,174,741 | 1,400,394 | 212,019 | 7,787,154 | 7,270,503 |
| *Net assets, end of year* | $ 5,869,727 | $ 225,311 | $ 6,095,038 | $ 1,474,832 | $ 212,019 | $ 7,781,889 | $ 7,787,154 |

NEW HAMPSHIRE PUBLIC RADIO, INC.

## STATEMENTS OF CASH FLOWS
**Years Ended June 30, 2014 and 2013**

| | 2014 | 2013 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in net assets | $ (5,265) | $ 516,651 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation and amortization expense | 661,032 | 649,169 |
| Realized and unrealized gains on investments | (76,736) | (4,346) |
| Increase in restricted cash | - | 1,470 |
| Bad debt expense | 34,833 | 13,988 |
| Contributions restricted for long-term purposes | (57,125) | (794,000) |
| Increase in contributions and grants receivable | (113,864) | (100,489) |
| Increase in accounts receivable | (66,812) | (10,023) |
| Decrease in prepaid expenses | 5,487 | 1,763 |
| Increase in accounts payable and accrued expenses | 58,024 | 5,664 |
| Increase (decrease) in accrued salaries and benefits | 122,194 | (20,030) |
| Increase (decrease) in deferred revenue | (2,063) | 19,700 |
| *Net cash provided by operating activities* | **559,705** | **279,517** |
| **CASH FLOWS USED IN INVESTING ACTIVITIES** | | |
| Purchase of investments | (33,948) | (908,469) |
| Acquisition of property and equipment | (337,657) | (221,700) |
| *Net cash used in investing activities* | **(371,605)** | **(1,130,169)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from contributions restricted for investment in permanent endowment | - | 44,000 |
| Proceeds from contributions restricted for long-term purposes | 57,125 | 750,000 |
| Principal repayment on long-term debt | (35,000) | (35,000) |
| *Net cash provided by financing activities* | **22,125** | **759,000** |
| *Net increase (decrease) in cash* | **210,225** | **(91,652)** |
| Cash, beginning of year | 911,472 | 1,003,124 |
| *Cash, end of year* | **$ 1,121,697** | **$ 911,472** |
| **SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION** | | |
| Cash paid for interest | $ 1,205 | $ 1,886 |

*See Notes to Financial Statements.*

NEW HAMPSHIRE PUBLIC RADIO, INC.

## SCHEDULE OF FUNCTIONAL EXPENSES

**Year Ended June 30, 2014 (with comparative totals for 2013)**

| | Program Services | Management and General | Fundraising | 2014 | 2013 |
|---|---|---|---|---|---|
| Salaries and wages | $ 1,768,679 | $ 398,211 | $ 481,109 | $ 2,647,999 | 2,447,603 |
| Payroll taxes | 146,690 | 23,814 | 39,470 | 209,974 | 199,184 |
| Employee benefits | 284,412 | 58,288 | 85,768 | 428,468 | 414,807 |
| *Total compensation related costs* | 2,199,781 | 480,313 | 606,347 | 3,286,441 | 3,061,594 |
| Affiliate program acquisition fees | 571,845 | - | - | 571,845 | 569,588 |
| Independent contractors | 321,210 | 71,766 | 144,049 | 537,025 | 439,964 |
| Transmitter and satellite expenses | 159,000 | - | - | 159,000 | 151,346 |
| Condo fees, utilities, taxes and maintenance | 103,860 | 21,675 | 23,342 | 148,877 | 145,640 |
| Travel, catering and entertainment | 37,959 | 46,782 | 34,492 | 119,233 | 94,424 |
| Dues and subscriptions | 92,472 | 20,415 | 6,265 | 119,152 | 103,098 |
| Bank and credit card fees | 11,504 | 5,737 | 82,829 | 100,070 | 87,659 |
| Printing | 4,822 | 333 | 86,685 | 91,840 | 79,901 |
| Advertising and promotion expenses | 90,227 | - | - | 90,227 | 90,453 |
| Telephone | 80,908 | 2,590 | 4,691 | 88,189 | 91,104 |
| Thank you gifts | - | - | 87,900 | 87,900 | 90,137 |
| Insurance | 51,911 | 7,178 | 7,396 | 66,485 | 63,983 |
| Postage | 1,440 | 1,157 | 60,490 | 63,087 | 73,123 |
| Technology equipment, parts and supplies | 48,452 | - | - | 48,452 | 57,984 |
| Professional services | 7,045 | 37,748 | - | 44,793 | 40,823 |
| Office supplies and expenses | 19,854 | 17,436 | 1,150 | 38,440 | 32,327 |
| Bad debt expense | - | 34,833 | - | 34,833 | 13,989 |
| Staff development and recruitment | 9,096 | 13,688 | 4,927 | 27,711 | 41,029 |
| Engineering equipment repairs and maintenance | 11,314 | - | - | 11,314 | 4,377 |
| Interest expense | 879 | 157 | 169 | 1,205 | 1,886 |
| *Total functional expenses excluding depreciation and amortization* | **3,823,579** | **761,808** | **1,150,732** | **5,736,119** | **5,334,429** |
| Depreciation and amortization | **560,168** | **39,403** | **61,461** | **661,032** | **649,169** |
| *Total functional expenses including depreciation and amortization* | $ **4,383,747** | $ **801,211** | $ **1,212,193** | $ **6,397,151** | $ **5,983,598** |

## *Note 1. Nature of Activities*

New Hampshire Public Radio, Inc. ("the Corporation") is organized as a not-for-profit corporation under the laws of the State of New Hampshire. It is licensed by the Federal Communications Commission to operate an FM radio station (WEVO-FM) throughout New Hampshire, which broadcasts at 89.1 FM (WEVO) from Concord and Manchester, at 88.3 FM (WEVS) from Nashua, at 90.7 FM (WEVN) from Keene, at 91.3 FM (WEVH) from Hanover, at 99.5 FM (WEVJ) from Jackson, at 104.3 FM (W282AB) from Dover, at 107.1 FM (WEVC) from Berlin, at 103.9 FM (W280DG) from Portsmouth, at 97.3 FM (W247AO) from Plymouth, at 91.9 FM (WEVQ) from Littleton, at 105.7 FM (W290BK) and 90.3 FM (WEVF) from Colebrook, and at 96.5 FM (W243DE) from Holderness. The Corporation also produces and distributes content online at www.nhpr.org.

## *Note 2. Summary of Significant Accounting Policies*

**Basis of accounting:** The financial statements of the Corporation have been prepared on the accrual basis. Under the accrual basis, revenues and gains are recognized when earned. Expenses and losses are recognized when incurred.

The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

**Comparative financial information:** The financial statements of the Corporation include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

**Basis of presentation:** The Corporation accounts for contributions received in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) topic for Revenue Recognition (FASB ASC 958-605) and contributions made in accordance with FASB ASC 958-720-25. In accordance with FASB ASC 958-605-25, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. FASB ASC 958-310 requires that unconditional promises to give (contributions receivable) be recorded as receivables and revenues.

The Corporation adheres to the Presentation of Financial Statements for Not-for-Profit Organizations topic of the FASB ASC 958-205. Under FASB ASC 958-205, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Descriptions of the three net asset categories are as follows:

<u>Unrestricted net assets</u> include revenues and expenses and contributions pledged which are not subject to any time or donor-imposed restrictions as well as unrestricted board designated amounts.

<u>Temporarily restricted net assets</u> include gifts and grants and promises to give for which time restrictions or donor-imposed restrictions have not yet been met and also include the accumulated appreciation related to permanently restricted endowment gifts, which is a requirement of FASB ASC 958-205-45.

*(continued on next page)*

Permanently restricted net assets include gifts which require, by donor restriction, that the corpus be invested in perpetuity and only the income or a portion thereof be made available for program operations in accordance with donor restrictions.

**Estimates and assumptions:** Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results may differ from those estimates.

**Fair value option:** Generally Accepted Accounting Principles (GAAP) provides a fair value option election that allows organizations to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. GAAP permits the fair value option election on an instrument-by-instrument basis at specified election dates, primarily at the initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. The Corporation elected the fair value option for contributions receivable during the year ended September 30, 2010.

**Cash and cash equivalents:** For purposes of reporting cash flows, the Corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. As of June 30, 2014 the Corporation had no cash equivalents.

**Contributions, grants and accounts receivable:** Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. The Corporation does not recognize conditional promises to give as revenue until the condition is met. Throughout the year the Corporation receives conditional pledges in connection with its on-air membership drives, however, there were no unfulfilled conditional promises to give as of June 30, 2014.

FASB ASC 958-605-45-5 provides that receipts of unconditional promises to give with payments due in future periods shall be reported as restricted support unless explicit donor stipulations or circumstances surrounding the receipt of a promise make clear that the donor intended it to be used to support activities of the current period.

Sustainer membership income is recognized on the accrual basis as the recurring payments are processed in accordance with FASB ASC 958-605 since the fair value of the unconditional promises to give cannot be determined without a predetermined stop date (see Note 14).

Unconditional promises to give are included in the financial statements as contributions receivable and revenue in the appropriate net asset category. Unconditional contributions receivable are reported at net realizable value if at the time the promise is made, payment is expected to be received in one year or less. Unconditional promises that are expected to be collected in more than one year are reported at fair value both initially and in subsequent periods because the Corporation elected the fair value option in accordance with GAAP. Management believes that the use of the fair value reduces the cost of measuring unconditional promises to give in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those promises were measured using present value techniques and historical discount rates. The Corporation estimates the allowance for uncollectible contributions receivable based upon specific review, current economic conditions and historical loss factors, if applicable.

*(continued on next page)*

Contributions receivable are considered to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary at June 30, 2014. Actual contributions receivable bad debts expense totaled $20,000 for the year ended June 30, 2014.

Accounts receivable are stated at the amount management expects to collect from outstanding underwriting balances. The Corporation records an allowance to estimate the amount of accounts receivable that may be uncollectible. The allowance is based on prior years experience and management's analysis of specific promises to give. An allowance has been established for potentially doubtful accounts amounting to $11,155. Uncollectible accounts are written-off against the allowance. Actual accounts receivable bad debts expense totaled $20,178 for the year ended June 30, 2014.

**Investments:** The Corporation carries investments in marketable securities with readily determinable fair values based upon quoted market prices. Unrealized and realized gains and losses are included in the accompanying statement of activities and changes in net assets with investment income. Purchased and gifted securities are recorded at fair value on the date of the acquisition or gift date, net of any brokerage fees.

**Property and equipment:** Property and equipment is stated at cost or, if donated, at fair value determined at the date of donation. The Corporation's policy is to capitalize expenditures for major improvements and charge maintenance and repairs to current operations when incurred.

Depreciation is provided for by the straight-line method in a manner which is intended to amortize the cost of the assets over the following estimated useful lives:

| | Years |
|---|---|
| Buildings and improvements | 7-40 |
| Broadcast and transmission equipment | 3-10 |
| Furniture and office equipment | 3-20 |
| Vehicles | 5 |

**Contributions of long-lived assets:** In accordance with FASB ASC 958-360-50, the Corporation has adopted an accounting policy implying a time restriction that expires over the useful life of donated long-lived assets. Under this policy, the donated long-lived assets are recorded as temporarily restricted support and then reclassified from temporarily restricted net assets to unrestricted net assets over useful life (if implied) or over the required period (if explicitly stated by donor). Any gain or loss on disposals of donated long-lived assets before the end of their useful life is reported as a change in unrestricted net assets and a reclassification is made to release any remaining temporarily restricted amounts to unrestricted net assets.

**Station and software licenses:** The cost of licensing rights acquired is being amortized on the straight-line method over periods of seven to thirty years. Amortization expense charged to operations amounted to $13,563 for the year ended June 30, 2014.

**Gifts, contributions and grants:** Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

*(continued on next page)*

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Grants awarded for operations or to purchase equipment or other capital assets that are considered contributions are recognized as unrestricted revenue when received unless the grant contains donor restrictions or certain reversionary rights (see Note 7 and 9) in which case the revenue is recognized as an increase in temporarily restricted net assets and released to unrestricted net assets ratably over the period that the reversionary rights apply.

**Deferred revenue:** Deferred revenue results when underwriters prepay contract amounts for credits that are to be aired by the Corporation in the subsequent fiscal year. Accordingly, the payments received for the next fiscal year are deferred until the underwriting credits are aired by the Corporation.

Grants received that are considered reciprocal transactions generally contain conditions that could require the Corporation to return funds if the conditions are not met. Accordingly, these grant proceeds are recorded as deferred revenue upon receipt. The grant revenue is recognized according to the terms of the grant agreement, usually as the proceeds are utilized for the grant's purposes and the conditions are fully met.

**Bond issuance costs:** These costs are being amortized on a straight-line basis over the 30-year term of the bonds.

**Advertising:** The Corporation charges advertising costs to expense as incurred. Advertising expenses, which relate primarily to programming and funded through trade, totaled $90,227 for the year ended June 30, 2014.

**Donated goods and services:** A significant portion of the Corporation's functions are conducted by unpaid officers, board members and volunteers. The value of this contributed time is not reflected in the financial statements since it does not meet the criteria necessary for recognition under the FASB ASC 958-605 (see Note 9).

Donated materials and equipment are reflected as in-kind donations and expenses or capitalized at their estimated value at the date of receipt. Donated professional services are recorded as both revenue and expense at estimated fair value.

Underwriting services which are done in exchange for goods or services are reflected as underwriting – trade. When the Corporation receives notification that donated services have been provided, the Corporation recognizes the revenue and a corresponding expense based on the value of the services which the Corporation received.

**Income taxes:** The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC); however, certain unrelated business income is subject to federal taxation. For the year ended June 30, 2014, there was no liability for a tax on unrelated business income. The Corporation is also exempt from state income taxes by virtue of its ongoing exemption from federal income taxes. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

*(continued on next page)*

The Corporation adopted the provision of FASB ASC 740, Accounting for Uncertainty in Income Taxes. Accordingly, management evaluated the Corporation's tax positions and concluded the Corporation had maintained its tax-exempt status, does not have any significant unrelated business income and had taken no uncertain tax positions that require adjustment or disclosure in the financial statements. With few exceptions, the Corporation is no longer subject to income tax examinations by the U.S. Federal or State tax authorities for tax years before 2011.

**Functional allocation of expenses:** The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

## *Note 3. Investments*

Investments, which consist of marketable debt and equity securities are carried at fair value at June 30, 2014 and are classified as long-term assets since it is the Corporation's intent to hold these investments for more than one year.

Investments consist of the following at June 30, 2014:

| | Fair Value | Cost | Unrealized Appreciation |
|---|---|---|---|
| Domestic and international equities: | | | |
| Energy | $ 34,542 | $ 29,050 | $ 5,492 |
| Materials | 19,074 | 16,047 | 3,027 |
| Industrials | 51,044 | 42,936 | 8,108 |
| Consumer Cyclical | 50,857 | 42,771 | 8,086 |
| Consumer Defensive | 34,693 | 29,183 | 5,510 |
| Healthcare | 57,686 | 48,509 | 9,177 |
| Communications Services | 14,807 | 12,455 | 2,352 |
| Financials | 72,136 | 60,670 | 11,466 |
| Information Technology | 67,982 | 57,165 | 10,817 |
| Other assets | 11,157 | 9,393 | 1,764 |
| Utilities | 10,390 | 8,745 | 1,645 |
| Debt security - US Treasury and corporate bond | 614,912 | 599,613 | 15,299 |
| *Total* | **$ 1,039,280** | $ 956,537 | $ 82,743 |

*(continued on next page)*

## *Note 4. Property and Equipment*

| | | |
|---|---|---|
| Property and equipment, at cost | | |
| Buildings and improvements | $ | 5,210,687 |
| Broadcast and transmission equipment | | 3,739,911 |
| Furniture and office equipment | | 1,098,759 |
| Vehicles | | 77,238 |
| Construction in process | | 91,410 |
| *Total property and equipment* | | 10,218,005 |
| Less accumulated depreciation | | 4,092,465 |
| *Total property and equipment, net* | $ | 6,125,540 |

Depreciation expense amounted to $639,551 for the year ended June 30, 2014.

## *Note 5. Bonds Payable, Revolving Line-of-Credit and Pledged Assets*

In a prior year, the Corporation obtained financing from the New Hampshire Business Finance Authority through the issuance of its tax-exempt Revenue Bonds Series 2008, in the aggregate principal amount of $6,000,000 in order to finance the construction, furnishing and equipping of the new office condominium. Proceeds from this bond issuance were also used to satisfy the balance of previous mortgage debt amounting to $1,770,173.

The bond contains certain financial covenants, the most restrictive of which is the maintenance of a ratio of income available to cover debt service of not less than 1.2 to 1.0 and a ratio of debt to capitalization no greater than 55%.

The bond bears interest at weekly average rates and was issued at a discount of $54,000. Principal on the bond matures through June 1, 2038. The payment of the principal of the bond, when due, and the purchase price of the bond upon the tender thereof, is secured by a letter-of-credit issued by TDBank. Interest costs on this bond debt amounted to $1,074 for the year ended June 30, 2014.

In addition, the Corporation has a revolving line-of-credit that provides for maximum borrowings of $250,000, due on demand, at a rate of interest equal to two percent above the Wall Street Journal Prime Rate (5.25% at June 30, 2014). Under this line-of-credit agreement, the Corporation must maintain a debt service coverage of not less than 1.20 to 1.00 annually. As of June 30, 2014, there were no outstanding borrowings.

| | | |
|---|---|---|
| Long-term debt: | | |
| Bond payable, NH Business Finance Authority (see above), secured by the Authority, with variable interest at the bank's weekly rate (0.08% at June 30,2014), net of unamortized discounted of $11,164 with a face amount of $1,710,000, expiring June 2038 | $ | 1,128,836 |
| Less amounts due within one year | | **40,000** |
| *Long-term debt* | **$** | **1,088,836** |

*(continued on next page)*

Aggregate maturities required on long-term debt at June 30, 2014 are as follows:

| | | |
|---|---|---|
| 2015 | $ | 40,000 |
| 2016 | | 40,000 |
| 2017 | | 45,000 |
| 2018 | | 45,000 |
| 2018 | | 45,000 |
| Thereafter | | 925,000 |
| Less unamortized discount | | (11,164) |
| | $ | 1,128,836 |

## *Note 6. Operating Leases*

The Corporation maintains several operating lease agreements for transmitter site rental and office equipment. These leases expire between fiscal years 2015 and 2017. Minimum future rent commitments under these lease agreements are as follows:

| | | |
|---|---|---|
| 2015 | $ | 44,191 |
| 2016 | | 36,665 |
| 2017 | | 20,861 |
| *Total* | $ | 101,717 |

Rental expense for these leases for the year ended June 30, 2014 totaled $73,891.

## *Note 7. Commitments and Contingencies*

Certain equipment acquired with federal grant proceeds is subject to reversionary interest liens for a period of ten years from date of the grant. Property acquired with these grant proceeds may not be conveyed, transferred, assigned, mortgaged, leased or in any other manner encumbered by the Corporation, except as expressly authorized by grantor. The liens expire between 2015 and 2022.

The Corporation maintains a sick time policy in which eligible employees can accrue up to a maximum of 480 hours of sick time. Employees who had sick time balances in excess of the 480 hours, as of the implementation of this policy in January of 2010, have been grandfathered in and, as such, continue to have those hours available to use according to the terms outlined in this policy.

FASB guidance states that an accrual is not required for an obligation related to employees' accumulating rights to receive compensation for future absences that are contingent upon the absences being caused by an employee's future illness. In addition to this contingent event, the low degree of reliability of estimates of the future sick pay and the cost of evaluating do not justify the requirement for such an accrual.

The estimated maximum amount of sick time accumulated by employees through June 30, 2014 amounted to approximately $498,000. The Corporation anticipates that a minimal portion of this benefit will be utilized by employees and short-term and long-term disability programs further limit this exposure.

*(continued on next page)*

In addition, the Corporation has a policy that allows for forty hours of vacation time to be carried forward to subsequent years. This liability is included in accrued salaries and benefits on the statement of financial position.

## *Note 8. Retirement Plans*

For administrative purposes, during a prior year, the Corporation merged its two 403(b) Retirement Plan options into one plan. The plan is a way for employees to prepare and save for retirement. Participation is voluntary and allows employees to choose from a variety of investment options.

**Tax Deferred Annuity Plan:** This option in the 403(b) Retirement Plan allows for employees to contribute with their own tax-deferred contributions and is available to all employees. Employees are eligible to begin participation on the first of the month following employment and are fully and immediately vested in the plan. This is a salary reduction plan only.

**Defined Contribution Plan:** Under the defined contribution option in the 403(b) Retirement Plan, to be eligible to participate and for the match, when applicable, an employee must be at least 18 years of age, normally work more than 20 hours per week and have worked for the Corporation for a full year. The option in the plan includes a discretionary matching contribution component which is determined annually, based on the financial resources and budget of the Corporation. Contributions to the plan for the year ended June 30, 2014 amounted to $74,340.

**Deferred Compensation Plan:** The Corporation sponsors a non-qualified deferred compensation plan under Section 457 of the IRC Code for certain employees. Employer contributions to the plan are discretionary and employees are not permitted to make salary deferrals under the plan. The Plan provides for full vesting after one year of service. Contributions to this plan for the year ended June 30, 2014, amounted to $17,500. The total deferred compensation liability amounted to $95,640 at June 30, 2014. This amount has been funded in a separate investment account established for such purposes.

## *Note 9. Donated Goods and Services*

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

The Corporation received donated legal and accounting services amounting to $7,867 for the year ended June 30, 2014.

Contributions of donated goods and long-lived assets are recorded at fair value when received. While previously donated software is now fully amortized, donated bamboo flooring continues to be amortized in accordance with the Corporation's accounting policy described in Note 2. Accumulated amortization and corresponding amounts released from temporarily restricted net assets relating to donated long-lived assets amounted to $55,673 at June 30, 2014.

## *Note 10. Concentration of Credit Risk*

The Corporation maintains its cash balances at various financial institutions. The Company's cash balances are insured up to $250,000, per depositor at each financial institution. Deposits in excess of federally insured limits at June 30, 2014 were approximately $617,000.

## *Note 11. Fair Value Measurements*

The Fair Value Measurements Topic of the FASB Accounting Standards Codification (FASB ASC 820-10) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Level 1 - inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date. The types of assets carried at level 1 fair value generally are securities listed in active markets. The Corporation has valued their investments, listed on national exchanges at the last sales price as of the day of valuation.
- Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option-pricing models, discounted cash flow models, and similar techniques.

The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments.

*(continued on next page)*

Financial assets carried at fair value on a recurring basis consist of the following at June 30, 2014:

| | Level 1 | Level 3 |
|---|---|---|
| Assets: | | |
| International equity funds | $ 78,141 | $ - |
| Domestic and international equities: | | - |
| Energy | 34,542 | - |
| Materials | 19,074 | - |
| Industrials | 51,044 | - |
| Consumer Cyclical | 50,857 | - |
| Consumer Defensive | 34,693 | - |
| Healthcare | 57,686 | - |
| Communications Services | 14,807 | - |
| Financials | 72,136 | - |
| Information Technology | 67,982 | - |
| Other assets | 11,157 | - |
| Utilities | 10,390 | - |
| Debt security - US Treasury and corporate bond | 614,912 | - |
| Contributions receivable | - | 321,873 |
| | $ 1,117,421 | $ 321,873 |

All assets have been valued using a market or income approach and have been consistently applied. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources

Contributions receivable have been valued using an income approach and have been consistently applied. The income approach uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

The Corporation has elected the fair value option for recording long-term contributions receivable. As a result of this election, contributions receivable are reported at fair value initially and in subsequent periods. This option simplifies the recordkeeping aspect of accounting for contributions receivable by eliminating the requirement to amortize the resulting discount.

*(continued on next page)*

| | | Receivable |
|---|---|---|
| Balance, ending of year ended June 30, 2013 | $ | 208,009 |
| Contributions | | 266,824 |
| Payments received and write-offs | | (152,960) |
| Change to present value discount | | - |
| Allowance for doubtful accounts | | - |
| Balance, ending of year ended June 30, 2014 | $ | 321,873 |

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Corporation's significant financial instruments are cash and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

### *Note 12. Endowment Funds and Net Assets*

The Corporation adheres to the Other Presentation Matters section of the Presentation of Financial Statements for Not-for-Profit Organizations topic of the FASB ASC 958-205-45. FASB ASC 958-205-45 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). FASB ASC 958-205-45 also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of New Hampshire enacted UPMIFA effective July 1, 2008, the provisions of which apply to endowment funds existing on or established after that date. The Corporation adopted FASB ASC 958-205-45 during the year ended June 30, 2011. The Corporation's endowment is comprised of two named funds and currently includes only donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Corporation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Corporation in a manner consistent with the standard of prudence prescribed in UPMIFA.

*(continued on next page)*

In accordance with UPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the various funds
(2) The purposes of the donor-restricted endowment funds
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Corporation
(7) The investment policies of the Corporation

*Investment Return Objectives, Risk Parameters and Strategies:* The Corporation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

According to this policy, endowment assets will be invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to yield an annual distribution of not more than 4%, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

*Spending Policy:* Although there have been no appropriations for expenditure as of June 30, 2014, the Corporation has adopted a policy for potential future spending. According to this policy, the Corporation may appropriate for distribution each year not more than 4% of its endowment fund's average fair market value over the twelve calendar quarters proceeding the year to which the distribution applies. In establishing this policy, the Corporation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity based on donor restrictions, and the possible effects of inflation. The Corporation expects the current spending policy to allow its endowment funds to grow at a nominal average rate, which is consistent with the Corporation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Endowment net asset composition by type of fund as of June 30, 2014 is as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor-restricted endowment funds | $ - | $ 44,159 | $ 212,019 | $ 256,178 |

*(continued on next page)*

Endowment net assets as of June 30, 2014 are as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, June 30, 2013 | $ - | $ 3,031 | $ 212,019 | $ 215,050 |
| Contributions | - | - | - | - |
| Investment return | - | 3,339 | - | 3,339 |
| Unrealized gain on investment | - | 37,789 | - | 37,789 |
| Appropriation of endowment assets for expenditure | - | - | - | - |
| Endowment net assets, June 30, 2014 | $ - | $ 44,159 | $ 212,019 | $ 256,178 |

Permanently restricted net assets consist of investment principal maintained in perpetuity. The income earned may be used to support operations.

Temporarily restricted net assets at June 30, 2014 consisted of gifts and other unexpended revenues available for the following purposes:

| | |
|---|---|
| Grant proceeds with reversionary rights (Note 7) | $ 266,008 |
| Arts programming | 10,260 |
| Innovation fund | 706,150 |
| Digital journalism | 243,451 |
| Donated long-lived assets, unamortized | 15,297 |
| North Country operations | 165,000 |
| Educational programming | 2,087 |
| Marketplace programming | 7,500 |
| Environmental programming | 3,500 |
| Seacoast programming | 11,420 |
| Portion of perpetual endowment funds subject to time restriction under UPMIFA | 44,159 |
| *Total* | $ 1,474,832 |

During the year ended June 30, 2013, the Corporation received a donation of $750,000 from one of its board members to establish a temporarily restricted innovation fund. As approved by the Board of Trustees, the Innovation Fund is to support initiatives that help ensure the long-term sustainability of the Corporation, support investments in digital innovation and strengthen the Corporation's capacity to produce unique local content. Furthermore, separate committees have been established and approved by the Board of Trustees to review project requests to ensure they meet the stated objectives and to manage the policies and goals of the fund. All earnings from the fund are to be reinvested for the innovation fund based on donor request.

*(continued on next page)*

The board designated unrestricted net assets comprise a portion of the Corporation's unrestricted net assets the Board of Trustees has designated for future strategic initiatives. The amount designated for the year ended June 30, 2014 was $121,500.

## *Note 13. Annuity Agreements*

During the year ended June 30, 2013, the Corporation received correspondence from National Public Radio, Inc. regarding annuity agreements for which the Corporation has been named a beneficiary. Under these agreements, National Public Radio, Inc. will administer the gift annuities for a fee of 8% and the Corporation will receive the residual gifts.

## *Note 14. Sustainer Membership*

During the year ended June 30, 2013, the Corporation implemented a new fundraising strategy with the goal of increasing the number of contributors giving on a monthly rather than one-time basis with no predetermined stop date. Utilizing national research and recommendations from public media fundraising experts, the Corporation identified the "Sustaining Member Program" as a model with the potential to stabilize monthly cash-flow and secure membership revenue year-to-year. Stations with mature sustainer programs have significantly increased donor retention, generate additional net revenue and reduce reliance of on-air fundraising campaigns. The strategic move to sustaining membership resulted in an anticipated adjustment in the cash flow cycle and a 2013 shortfall in annual revenue due to the transition to monthly recurring payments instead of one-time annual gifts.

## *Note 15. Reclassification*

Certain June 30, 2013 amounts have been reclassified to conform to the current year presentation. Such reclassifications have had no effect on changes in net assets as previously reported.

## *Note 16. Subsequent Events*

The Corporation has evaluated subsequent events through October 3, 2014, the date which the financial statements were available to be issued, and have not evaluated subsequent events after that date. Subsequent to the year ended June 30, 2014, the Corporation purchased a noncommercial FM educational radio station WCNH for a purchase price of $75,000. The purchase includes the station license as well as some equipment. Once the station license is formally transferred to the Corporation this purchase will be deemed complete. No other subsequent events were identified that would require disclosure in the financial statements for the year ended June 30, 2014.